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SUBJECT: SCENESETTER FOR SECRETARY CLINTON'S VISIT TO TOKYO

Classified By: Charge d'Affaires, a.i., James P. Zumwalt per 1.4 (b/d)

11. (S) Madam Secretary, Welcome to Tokyo. Prime Minister Aso, Foreign Minister Nakasone and Defense Minister Hamada are eager to see you to discuss our new Administration's foreign policy and ways to improve our global and regional partnership. That your first stop on your first overseas trip is Japan serves as a concrete reminder to Japan's leadership and public of the importance of our bilateral relationship. Currently, issue #1 for Japan is the global economic downturn compounded by a confused domestic political situation. Although Japanese banks and financial institutions had little sub-prime market exposure, the country's GDP saw a drop of 9 to 12 percent in the last quarter of 2008. The economic outlook is gloomy with expectations of deflation, rising unemployment, and continued drops in demand for Japanese exports. Companies such as Toyota and Sony are recording operating losses, paring employment rolls and extending factory holidays.

12. (S) Fear about Japan's economic well-being, combined with its hamstrung political system have exacerbated dissatisfaction with Prime Minister Taro Aso's leadership, resulting in a growing public sense that it may be time to turn over government to the opposition Democratic Party of Japan (DPJ). In a dramatic shift, polls show voters increasingly consider opposition leader Ichiro Ozawa to be a more suitable PM than Aso. That said, only Aso can dissolve the Diet and call an election, and many believe that he may do so after passing his budget this spring. Others suggest he will try to hold on until September when the Diet's current term expires.

13. (S) Unfortunately, the political situation and an increased focus on domestic issues limit Japan's ability to help resolve global problems. Many believe Japan missed a chance as G8 chair to play a greater role in responding to the global economic crisis, despite its pledge of \$100 billion to the IMF as a credit facility and \$2 billion to the World Bank to launch a fund to help stabilize financial institutions in developing countries. At home, Japan's response to the global economic slowdown has been short on effective measures to stimulate domestic demand and business and consumer confidence.

14. (S) Furthermore, after much political wrangling, the Diet only recently passed legislation extending Japan's refueling activities in the Indian Ocean in support of Operation Enduring Freedom. Japan continues to consider new legislation to respond to Somali piracy, and its ongoing deliberations contrast with China's relatively quick decision to dispatch ships to the region. In December, Japan's Air Self-Defense Forces ended operations in Iraq. Japan remains a top donor for Iraqi reconstruction but Japan can do more. We hope that you'll underline the international community's

expectations that Japan play a strong role in Iraqi and Afghan reconstruction, as well as in combating piracy.

¶15. (S) Your interlocutors will want your thoughts on the new Administration's views of the bilateral relationship. In particular, they will be eager to hear that our new Administration will not take steps to strengthen the U.S.-China relationship at the expense of the alliance with Japan. Notably, polls show Japanese are becoming more concerned about the state of the bilateral relationship, partly reflecting uncertainty about our China policy, as well as disappointment with our decision to delist North Korea as state sponsor of terrorism.

¶16. (S) Your counterparts will want to discuss the Six Party process. Many are highly focused on denuclearization including the importance of sampling as part of a written verification protocol. They remain skeptical the North Koreans will ever commit to verification measures in writing. While most Japanese recognize the importance of DPRK denuclearization to Japan's security, they nonetheless remain highly emotional about abductions. A statement from you on our continued commitment to achieving progress on DPRK issues, including both denuclearization and abductions, would be welcome.

¶17. (S) Our bilateral security ties remain robust and in this area we have good news: our two countries recently reached an International Agreement on the realignment of U.S. Forces, which you and Foreign Minister Nakasone will sign. This agreement, scheduled for Diet vote in March, will commit Japan to completing the relocation of Futenma Marine Corps Air Station on Okinawa and providing funds for USMC-related facilities on Guam. Japanese officials believe the agreement, and the allotment of over \$900 million in realignment funding during the next fiscal year, will buttress Japan's commitment to the May 1, 2006, Alliance Transformation Agreement even if there is a change in government here.

¶18. (S) In addition, Japan now hosts a forward-deployed nuclear-powered aircraft carrier, our missile defense cooperation is moving forward quickly and we are increasing bilateral planning coordination and intelligence sharing. While pacifism remains deeply ingrained in Japan, there is a new consensus among the public and opinion makers -- due in part to the DPRK threat and the PRC's growing power projection capabilities -- that the U.S.-Japan Alliance and U.S. bases in Japan are vital to Japan's national security. For example, the main opposition DPJ, while taking issue with some of the details of our basing arrangements, maintains as a basic policy platform the centrality of the alliance to Japan's security policy. We recommend that you inform your interlocutors we intend to hold an early 2 2 (Foreign and Defense Ministers) meeting given the importance of the Alliance.

¶19. (S) Japanese leaders will want your thoughts on the Administration's stimulus package, the auto bailout, and any other responses to the global economic crisis. Japanese officials -) and the public -) have questions about the future course of U.S. trade policy. They are concerned about a rise in protectionism and possible "Buy America" provisions in the draft stimulus packages. You may be asked about plans for the April G-20 Economic Summit. Our back-to-back years hosting APEC (Japan in 2010, the United States in 2011) will offer opportunities to promote policies to further trade liberalization and regional economic growth and prosperity.

¶10. (S) Your visit is an opportunity to thank Japan for their help in addressing climate change/energy issues, coordinating on development and disaster assistance, and joint measures to combat communicable and emerging diseases such as HIV-AIDS and avian influenza. You may wish to urge Japan to continue its work with the United States in the UNFCCC negotiations on a post-Kyoto framework and to promote close U.S.-Japan cooperation on climate change science.

11. (S) A quick reference list of issues follows. Embassy Tokyo looks forward to seeing you soon.

-- U.S.-Japan alliance: Our alliance is the cornerstone of U.S. policy in Northeast Asia, and essential for preserving peace and stability throughout the region. Force transformation spelled out in the Defense Policy Review Initiative (DPRI) will help sustain Japanese public support for the alliance and will strengthen alliance capabilities. Both countries are preparing the first set of major fiscal expenditures for projects on Okinawa and Guam. It is crucial that we implement our agreed upon plans without change.

-- Climate Change: Japan has been a leader in the Major Economies process and sees itself as a bridge between the U.S. and EU on climate change. While Prime Minister Aso has said he will announce a mid-term target for greenhouse gas reduction by this June, Japan has been pushing a bottom-up, sectoral approach to determining national greenhouse gas reduction goals, as opposed to the top-down, cap-and-trade policies promoted by the EU. Japan wants the United States, and the emerging market economies including China and India to be integral parts of any new global climate change agreements.

-- Six-Party Talks: While Japan shared with the United States disappointment at the outcome of the recent round of Beijing talks, the Japanese were extremely pleased with U.S.-Japan-ROK coordination. Japan remains firm in its refusal to provide energy assistance to the DPRK absent progress on the abductions issue. The DPRK's August 2008 pledge to open a reinvestigation into the abductions remains unfulfilled, in spite of a Japanese promise to reciprocate by partially easing its unilateral sanctions.

-- Iraq: With \$1.5 billion in grants, up to \$3.5 billion in concessionary loans, and \$6 billion in debt relief, Japan is the second-largest contributor to Iraqi reconstruction. Japan's Air Self-Defense Forces had deployed 200 personnel and three C-130 aircraft in Kuwait to transport cargo and personnel in Iraq; they returned home in December 2008.

-- Afghanistan: In December 2008, Japan passed legislation to extend by one year the refueling operation in support of Operation Enduring Freedom. Japan is working more closely with the PRTs and has assigned a full-time liaison officer to NATO's office in Kabul. Japan is the third highest bilateral contributor (behind the U.S. and UK) to Afghanistan, with \$1.4 billion pledged since 2002. Japan has included an additional \$300 million in its latest supplemental budget to support the 2009 Afghan elections and other security programs. It has also funded the upgrade of the Self-Defense Force's expeditionary capabilities in anticipation of a future political decision to deploy forces to ISAF. Japan's most visible endeavor in Afghanistan is the construction of a 114-kilometer stretch of the southern ring road. This project, originally scheduled for completion in 2005, has been beset by delays stemming from Japan's security concerns. We have been pressing them to complete the road and have also been asking the Japanese to consider other ways to support Afghanistan that are politically and constitutionally feasible.

-- China: Former Prime Minister Fukuda worked hard to improve relations with China, but his sudden resignation in September 2008 -- and the subsequent political uncertainty -- has led to a slow-down in progress on bilateral issues such as food safety and an agreement on joint development of East China Sea resources. In a positive development, both China and Japan have been successful in defusing, for the time being, the sharp conflicts over history that damaged relations in the Koizumi years. While Japanese acknowledge that good U.S.-China relations are in Japan's interest, they also fear that the United States will discount Japan's interests in pursuit of more robust relations with China.

-- South Korea: Although the Takeshima/Tokdo territorial

dispute remains an irritant, both sides have expressed a desire to build a Japan-ROK relationship that is "different from the relationship up until now," including through high-level shuttle diplomacy.

-- Burma: Japan has scaled back its aid to Burma, but has not imposed economic sanctions, although it discourages companies from investing in Burma. Japan could do more, but fears driving Burma closer to China.

-- Middle East Peace Process: Japan is moving forward with its "Corridor for Peace and Prosperity" initiative that will establish an agro-industrial park in the West Bank, and pledged \$150 million in project assistance at the December 2007 Paris donors' conference. Last August, Japan resumed direct assistance to the PA, contributing \$20 million. Japan has urged Israel and Hamas to adopt an immediate ceasefire.

-- Iran: Japan is implementing UNSCRs 1737, 1747 and 1803. Japan is among Iran's top export markets (mostly oil) and is Iran's 10th largest supplier of machinery and manufactured goods. A great deal of Japan-Iran trade is covered by government guaranteed short-term credits. Still, since April 2006, the Japan Bank for International Cooperation (JBIC) has ceased issuing Iran new long-term export credits and Japan has promised to begin closing outstanding long-term credits.

-- Beef: Japan remains closed to U.S. beef and beef products from animals older than 20 months of age. We continue to insist Japan allow full market access for U.S. product based on World Organization for Animal Health (OIE) guidelines and science. Once our largest export market for beef, Japan now imports less than 25 percent of pre-2004 levels. Japanese interlocutors will look to see how hard the new Administration will press on this issue.

-- UN Reform: Japan continues to call for an expansion of the UN Security Council to allow for its permanent membership (its two-year term as a non-permanent member began January 1). The United States believes that Japan is well-qualified to become a permanent member and Japan's candidacy is the only one we have specifically supported.

-- Nonproliferation: While Japan's delegations are perhaps not always as vocal in international non-proliferation fora as we would like, Japan is generally supportive of U.S. non-proliferation efforts, and, in part due to its history, holds a firm, legalistic line on proliferation issues. Japan is active in the IAEA (Japan's nominee is one of the leading candidates to replace Director General El Baradei), supports the IAEA's Additional Protocol for all states, and has generally sided with the U.S. in the ongoing IAEA investigations of Iran and Syria. Regionally Japan has taken a leadership role through its involvement in the Asian Senior-level Talks on Non-Proliferation (ASTOP). Japan has been responsive to UNSC resolutions calling for sanctions on known proliferators, but has generally refrained from acting on US-initiated sanctions efforts that do not originate in the UNSC.

-- Child Pornography: Public opinion has responded positively to Ambassador Schieffer's public campaign to encourage Japan to criminalize the possession of child pornography, which remains legal in Japan and Russia alone among the G8 member countries. We hope that a law criminalizing possession will be passed in the next Diet session.

-- Hague Convention on Parental Child Abductions: We and our Canadian and EU colleagues continue to press Japan to accede to the Hague Convention on the Civil Aspects of International Child Abduction. However, our Japanese interlocutors remain insistent that bureaucratic, legal and cultural barriers make near-term progress difficult.

ZUMWALT